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## Agenda Item 6b

June 13, 2011

### TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Contingency Reserve Fund Fiscal Year  
(FY) 2010-11 Appropriation Adjustment
- II. PROGRAM:** Administration
- III. RECOMMENDATION:**
- (1) The Committee accepts an increase to the Contingency Reserve Fund (CRF) of \$27,000 in FY 2010-11 for a total CRF budget of \$25,931,000 and recommends the Board of Administration (Board) approve this revised budget.
  - (2) The Committee accepts a decrease to the Public Employees' Retirement Fund (PERF) of \$27,000 in FY 2010-11 for a total PERF budget of \$265,396,000 and recommends the Board approve this revised budget.
  - (3) The Committee accepts the proposed California Public Employee's Retirement System (CalPERS) FY 2010-11 cost allocation adjustment to the CRF and PERF, and recommends the Board approve the cost allocation.
  - (4) The Committee recommends the Board approve the transmittal of this agenda item to the Joint Legislative Budget Committee and the Fiscal Committees of the Legislature, the State Controller, and the Department of Finance, in accordance with the 2010 Budget Act, and to the Legislative Analyst's Office and the State and Consumer Services Agency.

#### **IV. ANALYSIS:**

Pursuant to Control Section 3.60 of the 2010 Budget Act, departmental appropriations, which include the CRF, are adjusted to provide additional ongoing funding for the FY 2010-11 employer retirement contributions. CalPERS adopted two sets of employer retirement contribution rates for FY 2010-11. The first set of rates, as reflected in Control Section 3.60(a), applied to the first six months of FY 2010-11. The second set of rates pursuant to Control Section 3.60(d) became effective January 1, 2011 based on additional employee contributions under ratified collective bargaining agreements.

On October 26, 2010, prior to the adoption of the second set of rates effective January 1, 2011, the Department of Finance (DOF) issued Budget Letter (BL) 10-32 and BL 10-33 to estimate the change in the employer retirement contributions, including a reduction due to anticipated increases in employee contributions.

On April 25, 2011, based on the approval of the second set of rates by CalPERS, DOF issued BL 11-07 which adjusted the CRF to accurately reflect the State's share of retirement costs. This agenda item reflects this adjustment to CRF.

##### **Contingency Reserve Fund**

This adjustment reflects changes to the State's share of retirement costs through DOF's budget executive order process. The CRF appropriation will be increased \$27,000 from its current level of \$25,904,000 to a revised appropriation level of \$25,931,000.

##### **Public Employees' Retirement Fund**

In order to maintain a no growth budget, CalPERS will offset the increase in the CRF funding for retirement costs by reducing the PERF. Therefore, a decrease of \$27,000 to the PERF is requested. Since the CRF and PERF appropriations are part of the CalPERS Administrative Budget, the Administrative Budget will remain unchanged at \$315,731,000.

#### **V. RESULTS/COSTS:**

There is a no change to the CalPERS current FY 2010-11 Administrative Budget of \$315,731,000. Recommendations contained in this agenda item will take effect upon the approval of the Board at the June 15, 2011, meeting.

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STEVE PIETROWSKI, Assistant Chief  
Fiscal Services Division

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DAVE CORNEJO, Acting Division Chief  
Fiscal Services Division

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RUSSELL G. FONG  
Acting Chief Financial Officer

Attachments